

DC Central Kitchen, Inc. and Affiliate

Consolidated Financial Statements
and
Independent Auditors' Reports

December 31, 2008 and 2007

CONTENTS

Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities – 2008	3
Consolidated Statement of Activities – 2007	4
Consolidated Statement of Functional Expenses – 2008	5
Consolidated Statement of Functional Expenses – 2007	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-13

Kattell and Company, P.L.L.C.

Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT

Board of Directors
D.C. Central Kitchen, Inc.
Washington, DC

We have audited the accompanying consolidated statements of financial position of D.C. Central Kitchen, Inc. and Affiliate (the Organization) as of December 31, 2008 and 2007, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of D.C. Central Kitchen, Inc. and Affiliate, as of December 31, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Kattell and Company, P.L.L.C.

April 2, 2009
Gainesville, Florida

“Not everything that counts can be counted, and not everything that can be counted counts.”
- Albert Einstein

Consolidated Statements of Financial Position
December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

Assets	<u>2008</u>	<u>2007</u>
Cash	\$ 283,829	\$ 200,507
Inventory	14,542	9,180
Accounts Receivable	273,354	247,806
Contributions Receivable	41,137	78,123
Grants Receivable	212,500	401,000
Prepaid Expenses	13,509	32,342
Investments	1,214,172	1,932,519
Fixed Assets:		
Kitchen Equipment	58,790	83,235
Office and Other Equipment	85,237	88,642
Vehicles	235,400	222,253
Leasehold Improvements	168,516	168,517
Less: Accumulated Depreciation	(227,264)	(211,988)
Net Fixed Assets	320,679	350,659
Total Assets	\$ 2,373,722	\$ 3,252,136
Liabilities and Net Assets		
Accounts Payable	\$ 155,130	\$ 191,738
Grants to Affiliates	61,695	102,699
Accrued Payroll and Leave	162,760	196,108
Deferred Revenue	51,789	7,500
Line of Credit	275,000	319,000
Capital Lease Obligations	9,229	25,970
Note Payable	--	50,858
Total Liabilities	715,603	893,873
Net Assets:		
Designated	1,200,000	1,200,000
Undesignated	203,119	651,513
Total Unrestricted	1,403,119	1,851,513
Temporarily Restricted	255,000	506,750
Total Net Assets	1,658,119	2,358,263
Total Liabilities and Net Assets	\$ 2,373,722	\$ 3,252,136

See accompanying notes.

Consolidated Statement of Activities
For the Year Ended December 31, 2008
D.C. Central Kitchen, Inc. and Affiliate

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Donated Goods and Services	\$ 2,009,057	\$ --	\$ 2,009,057
Contributions - General	1,943,335	45,000	1,988,335
Contributions - United Way	183,724	--	183,724
Federal Government Grants and Contracts	69,889	--	69,889
Local Government Contracts	1,972,200	--	1,972,200
Other Contracts	107,279	--	107,279
Contract Food Sales	240,255	--	240,255
Retail Food Sales	474,058	--	474,058
Special Event, Net	213,556	--	213,556
Affiliate Fees	14,698	--	14,698
Investment Income	95,133	--	95,133
Other Income	50,412	--	50,412
Net Assets Released From Restrictions	296,750	(296,750)	--
Total Support and Other Revenue	7,670,346	(251,750)	7,418,596
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	3,472,181	--	3,472,181
Culinary Job Training	362,946	--	362,946
First Helping	355,239	--	355,239
Fresh Start Catering	782,069	--	782,069
National R&D	182,509	--	182,509
Campus Kitchens Project	822,296	--	822,296
Total Program Services	5,977,240	--	5,977,240
Supporting Activities:			
Management and General	912,579	--	912,579
Development	411,341	--	411,341
Total Support Services	1,323,920	--	1,323,920
Total Expenses	7,301,160	--	7,301,160
Excess of Support and Revenues Over Expenses	369,186	(251,750)	117,436
Investment Loss	(817,580)	--	(817,580)
Change in Net Assets	(448,394)	(251,750)	(700,144)
Net Assets, January 1, 2008	1,851,513	506,750	2,358,263
Net Assets, December 31, 2008	\$ 1,403,119	\$ 255,000	\$ 1,658,119

See accompanying notes.

Consolidated Statement of Activities
For the Year Ended December 31, 2007
D.C. Central Kitchen, Inc. and Affiliate

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Donated Goods and Services	\$ 1,906,579	\$ --	\$ 1,906,579
Contributions - General	2,385,289	387,750	2,773,039
Contributions - United Way	147,205	--	147,205
Federal Government Grants and Contracts	16,245	--	16,245
Local Government Contracts	1,764,794	--	1,764,794
Other Contracts	106,625	--	106,625
Contract Food Sales	--	--	--
Retail Food Sales	581,802	--	581,802
Special Event, Net	214,988	--	214,988
Affiliate Fees	14,339	--	14,339
Other Income	48,250	--	48,250
Net Assets Released From Restrictions	<u>275,000</u>	<u>(275,000)</u>	<u>--</u>
Total Support and Other Revenue	7,461,116	112,750	7,573,866
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	3,184,202	--	3,184,202
Culinary Job Training	368,955	--	368,955
First Helping	377,836	--	377,836
Fresh Start Catering	606,131	--	606,131
National R&D	193,381	--	193,381
Campus Kitchens Project	<u>819,032</u>	<u>--</u>	<u>819,032</u>
Total Program Services	5,549,537	--	5,549,537
Supporting Activities:			
Management and General	772,860	--	772,860
Development	<u>375,784</u>	<u>--</u>	<u>375,874</u>
Total Support Services	1,148,644	--	1,148,644
Total Expenses	6,698,181	--	6,698,181
Change in Net Assets	762,935	112,750	875,685
Net Assets, January 1, 2007	1,088,578	394,000	1,482,578
Net Assets, December 31, 2007	<u>\$ 1,851,513</u>	<u>\$ 506,750</u>	<u>\$ 2,358,263</u>

See accompanying notes.

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2008
D.C. Central Kitchen, Inc. and Affiliate**

	Program Services							Supporting Activities			Total
	Food Recycling/Meal Distribution	Culinary Job Training	First Helping	Fresh Start Catering	National R&D	Campus Kitchens Project	Total Programs	Management And General	Development		
Depreciation	\$ 49,253	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 49,253	\$ 71,741	\$ --	\$ 120,994	
Event Expenses	--	--	--	--	--	--	--	--	39,356	39,356	
Facilities Space - Donated	--	--	6,675	--	--	102,562	109,237	251,500	11,500	34,224	
Food and Beverages - Donated	1,257,073	--	--	--	--	257,687	1,514,760	--	--	372,237	
Food and Beverages - Purchased	575,248	7,333	4,466	217,689	--	6,278	811,014	--	30	1,514,760	
Grants to Campus Kitchens	--	--	--	--	--	10,804	10,804	--	--	10,804	
Insurance, other than Vehicle	108	--	--	--	--	772	880	28,915	--	29,795	
Interest and Bank Fees	4,541	--	--	682	--	--	5,223	47,337	3,243	55,803	
Internships	--	--	--	--	--	21,913	21,913	--	--	21,913	
Kitchen Costs	205,212	391	1,006	58,090	--	8,686	273,385	--	--	273,385	
Miscellaneous	7,960	3,031	25	4,626	1,844	6,034	23,520	15,920	1,051	40,491	
Office Expense	8,437	5,705	2,310	4,208	502	7,726	28,888	33,083	47,806	109,777	
Personnel	1,118,692	252,747	289,469	437,053	131,027	352,096	2,581,084	452,412	309,261	3,342,757	
Professional Services - Donated	--	2,351	2,025	3,886	27,640	4,120	40,022	100,247	525	140,794	
Professional Services	--	--	--	--	--	--	--	66,059	--	66,059	
Program Expense	1,405	70,651	26,129	35	40	5,225	103,485	--	--	103,485	
Tech. and Comm. - Donated	48,817	--	--	--	--	--	48,817	--	--	48,817	
Technology and Communications	6,969	5,197	575	10	6,112	7,703	26,566	21,361	17,467	65,394	
Travel and Local Business	4,307	210	4,344	1,193	7,682	30,690	48,426	9,677	2,973	61,076	
Vehicle Expense	89,339	--	1,794	20,642	--	--	111,775	--	--	111,775	
Shared Expense Allocation	94,820	15,330	16,421	33,954	7,662	--	168,187	(185,673)	17,486	--	
Totals	\$ 3,472,181	\$ 362,946	\$ 355,239	\$ 782,068	\$ 182,509	\$ 822,296	\$ 5,977,239	\$ 912,579	\$ 484,922	\$ 7,374,740	
Costs of Donor Benefits of Capital Food Fight	--	--	--	--	--	--	--	--	--	110,115	
Total Functional Expenses	\$ 3,472,181	\$ 362,946	\$ 355,239	\$ 782,068	\$ 182,509	\$ 822,296	\$ 5,977,239	\$ 912,579	\$ 484,922	\$ 7,484,855	

See accompanying notes.

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2007
D.C. Central Kitchen, Inc. and Affiliate**

	Program Services							Supporting Activities			
	Food Recycling/Meal Distribution	Culinary Job Training	First Helping	Fresh Start Catering	National R&D	Campus Kitchens Project	Total Programs	Management And General	Development	Total	
Building Maintenance	--	--	--	--	--	--	--	\$ 3,421	--	\$ 3,421	
Depreciation	40,359	--	--	--	--	--	40,359	24,136	--	64,495	
Events Expenses	--	--	--	--	--	--	--	--	41,812	41,812	
Facilities Space - Donated	--	--	--	--	--	--	--	--	56,560	56,560	
Food and Beverages - Donated	1,032,678	--	15,300	--	--	97,916	113,216	271,710	7,405	392,331	
Food and Beverages - Purchased	715,119	8,008	8,523	162,640	--	257,836	1,290,514	--	--	1,290,514	
Grants to Campus Kitchens	--	--	--	--	--	7,848	902,138	14,148	331	916,617	
Insurance, other than Vehicle	400	--	--	--	--	178	578	--	--	62,780	
Interest and Bank Fees	7,350	--	--	--	--	--	7,350	26,055	--	26,633	
Internships	--	--	--	--	--	19,030	19,030	32,060	10	39,420	
Kitchen Costs	155,252	8,842	3,866	61,705	--	4,674	234,339	14,148	--	248,487	
Miscellaneous	811	804	1,012	18,539	267	5,570	27,003	17,632	1,257	45,892	
Office Expense	6,256	10,815	3,100	2,407	3,954	14,074	40,606	64,473	31,127	136,206	
Personnel	840,410	245,583	278,568	282,443	119,592	310,353	2,076,949	483,030	249,353	2,809,332	
Professional Services - Donated	--	1,309	3,731	1,250	13,308	2,140	21,738	104,838	20,147	146,723	
Professional Services - Donated	--	--	--	--	--	--	--	70,506	--	70,506	
Program Expense	36	45,446	6,497	--	20,025	10,348	82,352	880	--	83,232	
Tech. and Comm. - Donated	--	--	--	--	--	--	--	116,991	3,369	120,360	
Technology and	--	--	--	--	--	--	--	--	--	--	
Communications	218	465	5,664	239	573	7,925	15,084	36,264	10,235	61,583	
Travel and Local Business	3,192	451	5,052	545	10,969	18,246	38,455	9,525	1,466	49,446	
Vehicle Expense	106,001	--	1,888	300	--	114	108,303	302	2,568	111,173	
Shared Expense Allocation	276,120	47,232	44,635	76,063	24,693	--	468,743	(517,259)	48,516	--	
Totals	\$ 3,184,202	\$ 368,955	\$ 377,836	\$ 606,131	\$ 193,381	\$ 819,032	\$ 5,549,537	\$ 772,860	\$ 375,784	\$ 6,796,553	
Costs of Donor Benefits of Capital Food Fight	--	--	--	--	--	--	--	--	--	71,235	
Total Functional Expenses	--	--	--	--	--	--	--	--	--	<u>\$ 6,867,788</u>	

See accompanying notes.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (700,144)	\$ 875,685
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	120,989	64,494
Donated Investments	--	(985,002)
Loss on Investments	817,580	88,923
Changes in:		
Inventory	(5,362)	(976)
Accounts Receivable	(25,548)	(64,935)
Contributions Receivable	36,986	28,981
Grants Receivable	188,500	(23,769)
Prepaid Expenses	18,833	6,386
Accounts Payable	(36,600)	107,714
Grants Payable	(41,004)	(2,531)
Accrued Payroll and Leave	(33,348)	27,615
Deferred Revenue	<u>44,289</u>	<u>(3,173)</u>
Net Cash Provided by Operating Activities	385,171	119,412
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	(91,017)	(296,983)
Purchases of Investments – Dividend Reinvestments	<u>(99,233)</u>	<u>(109,310)</u>
Net Cash Used In Investing Activities	(190,250)	(406,293)
Cash Flows from Financing Activities:		
Principal Payments on Capital Lease Obligations	(16,741)	(13,301)
Proceeds of Note Payable	--	60,000
Payments on Note Payable	(50,858)	(9,142)
Draws on Line of Credit	1,852,000	1,405,000
Payments on Line of Credit	<u>(1,896,000)</u>	<u>(1,086,000)</u>
Net Cash Provided by (Used in) Financing Activities	(111,599)	356,557
Net Increase in Cash	83,322	69,676
Cash, Beginning of Year	<u>200,507</u>	<u>130,831</u>
Cash, End of Year	<u>\$ 283,829</u>	<u>\$ 200,507</u>
 Supplemental Disclosures:		
Interest Paid in Cash	<u>\$ 31,770</u>	<u>\$ 18,451</u>

See accompanying notes.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies

Entity

D.C. Central Kitchen, Inc. (DCKK) was organized in the District of Columbia in 1988 as a not-for-profit organization for the purposes of fighting hunger and creating opportunity. DCKK serves these goals through its distinct programs: Food Recycling and Meal Distribution, Culinary Job Training, First Helping, Fresh Start Catering, National R&D, and Campus Kitchens Project.

DCKK uses food as a tool to:

- **Strengthen Bodies**, by safely recovering unserved foods from area foodservice businesses to feed children and adults at partner agencies throughout the greater Washington area.
- **Empower Minds** by providing foodservice job training for unemployed men and women and community service opportunities for youth and adults.
- **Build Communities** by providing working examples, innovative solutions, and shared technology to a cooperative and effective national network of community kitchens.

Related Entity - Principles of Consolidation

In 2002, The Campus Kitchens Project, Inc.sm (CKP) was incorporated as an affiliated corporation under common control with DCKK. These financial statements include the accounts of DCKK and CKP (collectively “the Organization”). Inter-company accounts and transactions have been eliminated as part of the consolidation.

CKP owns and operates four Campus Kitchens and has affiliate agreements with another eleven. The contracts that define the CKP’s relationships with its “owned” and “affiliate” schools differ mainly in the burden of cost and assumption of liability.

Owned. CKP provides 100% of the staffing, funding, and ongoing assistance to Campus Kitchens who fall under the “owned” model. These are the first of CKP’s Campus Kitchens, and therefore acted as “pilot” programs. CKP retains control over the owned Campus Kitchens, assumes liability, and provides indemnification to the host school for the work of the program.

Affiliate. For Campus Kitchens operating under the “affiliate” model, the host school assumes the staffing responsibilities, ongoing costs, and liability for the Campus Kitchen program. Based on available funding and the school’s proposed budget, CKP provides a multi-year grant to the school to help defray these costs. CKP provides ongoing technical support, training, and licensing of its name and marks to all affiliate schools.

Each of the owned Campus Kitchens is organized as a limited liability company and operates a Campus Kitchen at a single college or university. Both owned and affiliated Campus Kitchens programs coordinate food donations, prepare and deliver meals to area community service agencies, teach basic food preparation and culinary skills to the unemployed, and provide service-learning opportunities for students. Since its inception in 2001, the Corporation has engaged more than 19,100 students who have provided more than 206,600 volunteer hours recycling food, working in the kitchen, and delivering more than 845,900 meals to local partner agencies.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with standards applicable to voluntary health and welfare organizations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies (continued)

Cash

Cash includes demand and time deposits in financial institutions. For 2008, deposits do not exceed the Federal Deposit Insurance Corporation (FDIC) limits. The limit was exceeded by approximately \$39,000 for the year ended December 31, 2007.

Inventory

Inventory, consisting of disposable serving supplies and cooking ingredients, are stated at the lower of cost or market using the first-in, first-out (FIFO) method of determining cost.

Receivables

Accounts Receivable includes amounts due under contracts for services, billings for Fresh Start Catering services, and other receivables. Contributions Receivable consists of individual donations received shortly after year end. Grants receivable are large corporate or foundation donations. One government contract and two corporate and foundation donors accounted for 52% of total receivables at December 31, 2008 and four corporate and foundation donors accounted for 87% of total receivables in 2007. The Organization records receivables at net realizable value using the allowance method. No allowance is provided since all receivables are deemed fully collectible.

Investments

DCKK holds its investments in a mutual fund. According to the fund prospectus, 90% or more of the assets of the fund are invested in common stocks with the balance held in U.S. Treasury securities or other cash equivalents. Investments are reported at fair value.

Fixed Assets

Fixed Assets are recorded at cost or, for contributed assets, at estimated fair market value at the date of donation. The Organization only records fixed assets valued at \$1,000, however the Organization does not capitalize donations of used computer equipment. Fixed assets are depreciated using the straight-line method over estimated useful lives of three to seven years.

Accounting for Net Assets

The Organization's net assets, the excess of assets over liabilities, are reported in two mutually exclusive classes:

Temporarily Restricted. Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Organization.

Unrestricted. Those net assets that are not temporarily restricted.

Revenue Recognition

Contributions – General. Contributions received, including unconditional promises to give, are recognized at their estimated fair values in the period received or pledged. Contributions received are reported either as unrestricted revenue or temporarily restricted revenue. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. However, contributions that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the contributions are recognized.

Contributions – Space. The Organization receives the rent-free use of kitchen facilities, office space, and dry storage. These in-kind contributions and the related rental expense of \$372,237 and \$392,331 for the years ended December 31, 2008 and 2007, respectively, are reflected in the accompanying consolidated financial statements based on management's estimate.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies (continued)

Contributions – Services. The Organization recognizes certain contributed services as revenue and expense if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization receives contributed services from a large number of volunteers that do not meet the criteria for recognition. The fair value of these services is not practical to estimate.

Contributions – Food. The Organization has received millions of pounds of food since its inception in 1989. Management used certain estimates and assumptions to determine the value of approximately 880,000 pounds and 1.10 million pounds of food for the years ended December 31, 2008 and 2007, respectively.

Government Grants. Government grants consist of cost reimbursement contracts and fee for service contracts. Revenues are recognized when the Organization incurs allowable costs or provides the contracted services.

Retail Food. Retail food sales of Fresh Start Catering are recognized when the food is delivered. Any cash received from customers prior to delivery is reported as deferred revenue.

Expense Allocation

The Organization's expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited as detailed in the consolidated statements of functional expenses.

Income Taxes

The Organization consists of separate not-for-profit corporations, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). They have been designated as "publicly supported" organizations under Section 509(a)(1) of the Code. As such, both entities are eligible to receive tax deductible contributions.

The Organization has not earned any unrelated business taxable income; therefore, these financial statements contain no provision for federal income taxes. The Corporation has elected to defer the application of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, until the fiscal year beginning January 1, 2009 (or other applicable date). The Organization has not taken any uncertain tax positions and, therefore, has no policy for evaluating them.

As discussed in the "Entity" section above, each of the owned Campus Kitchens is a single-member LLC owned entirely by the CKP. Each of the owned Campus Kitchens is treated as a "disregarded entity" for income tax purposes and, as such, its financial activity is reported in conjunction with the federal tax filings of the CKP.

Prior Year Information

Certain prior year information may be presented differently in order to conform with the current year presentation.

NOTE 2 – Functional Expenses

The costs of conducting the Organization's program services and other activities have been summarized on a functional basis.

Food Recycling and Meal Distribution. In 2008 DC Central Kitchen recovered over 750,000 pounds of food that would otherwise have gone to waste. In conjunction with our almost 11,000 annual volunteers and culinary job training students, our staff used this food to create meals for 1.7 million meals for Washington DC's homeless shelters, transitional homes and close to 100 other partner social service agencies throughout the Washington metropolitan area. Agencies receiving meals include community and youth centers, children's after-school programs, senior centers, addiction recovery programs, ESL and GED programs and halfway homes.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

NOTE 2 – Functional Expenses (continued)

Food Recycling and Meal Distribution. (concluded)

Healthy Returns is a program of DC Central Kitchen focused on feeding our young people healthier foods that will help develop life-long improved eating habits. The program's goal is to enable DC agencies to encourage our youth to eat better and lead healthier lives by consistently providing more substantial, more nutritious foods that remain "kid friendly." Healthy Returns distributes these snacks and meals to agencies serving low-income children and at-risk youth as well as agencies serving struggling families across the Washington Metropolitan Area. Not only will the children be provided healthier food, but they will also receive nutritional education. The invaluable information that they will be taught will allow the students the power to make smarter food and health choices.

Culinary Job Training. DCCK operates an intense, nationally recognized thirteen-week Culinary Job Training program for unemployed and/or formerly incarcerated men and women living in homeless shelters or receiving welfare benefits. The program offers comprehensive training in food preparation and sanitation in combination with job readiness and life skills training. For the year ended December 31, 2008, DCCK operated 4 such programs and graduated 47 students.

First Helping. First Helping is a street-level outreach project of DCCK that serves men and women who are homeless and living on city streets or in the city's emergency shelters. First Helping provides breakfasts each weekday throughout the year at four DC locations. Our outreach team uses this food to get to know the clients and establish a bond of trust. Once this relationship has been established, the outreach team is better able to connect their clients with the services they need.

Fresh Start Catering and Contract Foods. Fresh Start Catering is a full-service, professional catering and contract foods company that employs graduates of DCCK's job training program and generates revenue for DCCK. With Fresh Start, graduates build on the skills they acquired in the Culinary Job Training program by focusing on advanced culinary skills, presentation techniques, and formal service that will enable them to obtain jobs in the competitive hospitality industry. This program supports DCCK's training program as well as serving as a model for what we believe corporate philanthropy can be.

A new venture in 2008 was the food service contract for the Washington Jesuit Academy (WJA). WJA is an all scholarship, private middle school for at risk boys in the Brookland neighborhood of Northeast DC. The school operates from 7am – 7pm eleven months a year, and on-site Fresh Start employees prepare breakfast, lunch and dinner for the students and staff.

Community Voicemail. Community Voicemail empowers men, women, and families in crisis or transition by issuing phone numbers with voicemail which enables them to pursue employment, housing, health care, and government benefits with the advantage of a non-stigmatized call-back phone number. The program serves homeless individuals and families, persons unemployed or underemployed, victims escaping domestic violence, ex-offenders reentering the community, and the elderly by providing blocks of phone numbers to the agencies which serve these clients directly. By providing something as simple as a safe, reliable, local telephone number, CVM builds the capacity of communities to help citizens regain self-sufficiency.

The Kitchen took the leadership on this program introducing it to the District of Columbia in 2006 with the idea that once the program was established, the day-to-day management of the program would be transferred to another agency. That transfer occurred in late 2008.

National R&D. DCCK believes that it is important to promote not just the activities of DCCK, but the ideals that drive its mission. To carry out this effort in 2008, DCCK's president traveled to universities, colleges, and spoke in over 60 communities around the country to discuss issues of homelessness, poverty, nonprofit management, responsible civic leadership and social entrepreneurship as well as the future of the nonprofit sector.

Campus Kitchens Project, Inc.sm. The Campus Kitchens Project, Inc. is a nationwide program that has opened, staffed, and supported DCCK-style community kitchens in university and high school settings. The pilot site of the Campus Kitchens Projectsm at Saint Louis University was opened in October 2001. The project is a collaborative venture between DCCK, the university dining contractor, and the university. Food is donated from campus dining facilities, reprepared by student volunteers and then distributed, by students, to social service agencies and individuals located in the immediate community. At year end there are 15 Campus Kitchens Projects located around the country.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

NOTE 2 – Functional Expenses (concluded)

Management and General. The costs include all expenses required to conduct the affairs of the Organization that are not attributable to other functional areas.

Development. These are the costs of all fundraising activities including the costs of the Capital Food Fight event that are not classified as direct donor benefits.

NOTE 3 – Grants Receivable

Grants receivable represent unconditional promises to give and are stated at their net realizable value. Amounts expected to be collected in less than one year total \$212,500 and \$266,000 for the years ended December 31, 2008 and 2007, respectively. Amounts expected to be received in one to five years total \$0 and \$135,000 for the same periods.

NOTE 4 – Line of Credit

DCCK has a line of credit with Bank of America which provides for borrowing up to \$750,000 at their prime rate, which was 7.25% at December 31, 2008. The line of credit is secured by inventory, receivables and equipment and expires on July 31, 2009. As of December 31, 2008 and 2007, the line had an outstanding balance of \$275,000 and \$319,000, respectively.

NOTE 5 – Capital Lease Obligations

DCCK has two non-cancelable capital lease agreements for vehicles at interest rates of 20.8%. The capitalized amount of \$62,140 is included in vehicles with related accumulated depreciation of \$55,149 at December 31, 2008. The future minimum lease payments for the years ending December 31 are \$9,229 of which \$2,671 represents interest.

NOTE 6 – Note Payable

In 2007, DCCK borrowed \$60,000 from Bank of America to finance a portion of the renovations on the kitchen. The Note required 36 monthly payments of \$1,854, consisting of principal and interest computed at 7.7%. The Note is secured by equipment, inventory and receivables. DCCK paid the Note in full as of December 31, 2008.

NOTE 7 – Designated Net Assets

The Board has elected to designate a portion of its unrestricted net assets as a reserve for operating cash needs. The amount designated is approximately three months of cash expenses.

NOTE 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2008</u>	<u>2007</u>
Purpose Restrictions:		
Campus Kitchens Project, Inc	\$ 80,000	\$ 77,000
Entrepreneurial Programs	--	100,000
Time Restrictions:		
Amounts to be received	<u>175,000</u>	<u>329,750</u>
Totals	<u>\$ 255,000</u>	<u>\$ 506,750</u>

Net assets are reclassified as unconditional promises are received and as expenses are incurred that satisfy program restrictions.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007
D.C. Central Kitchen, Inc. and Affiliate

NOTE 9 – Special Event

The Organization's annual fundraiser, The Capital Food Fight, is held in the fall. Net revenues consist of the following:

	2008	2007
Revenue:		
Sponsorships & Cash Contributions	\$ 180,109	\$ 203,052
In-kind Contributions	122,017	97,518
Ticket Sales	66,175	67,075
Auction Proceeds	28,950	16,950
Total Revenue	<u>397,251</u>	<u>384,595</u>
Expenses:		
Direct Donor Benefits	110,115	71,235
Development Expenses	73,580	98,372
Total Expenses	<u>183,695</u>	<u>169,607</u>
Net Special Event	<u>\$ 213,556</u>	<u>\$ 214,988</u>

NOTE 10 – Grants to Affiliates

CKP provides initial funding to Campus Kitchens affiliates in accordance with affiliate agreements. These grants provide monthly funding for 36 months and are recorded as contributions made at the date the affiliation agreement is signed. The unpaid portion of these grants is reported as payables at the end of the year. The following table provides the schedule of funding.

Payments Due:	2008	2007
2008	--	70,741
2009	37,639	27,367
2010	15,427	4,591
2011	8,629	--
Totals	<u>\$ 61,695</u>	<u>\$ 102,699</u>